

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of an Inquiry Into Possible Effects
of the Financial Difficulties at Aquila, Inc. on
Peoples Natural Gas Company and Northern
Minnesota Utilities Company and Their
Customers

ISSUE DATE: March 1, 2004

DOCKET NO. G-007,011/CI-02-1369

ORDER APPROVING SERVICE QUALITY
PLAN AS REVISED

PROCEDURAL HISTORY

On September 4, 2002, the Commission issued its ORDER REQUIRING RESPONSES, in this docket, which directed Aquila to respond to the Commission's concern about Aquila's financial difficulties and the possible effect of those difficulties on the Company's regulated operations in Minnesota.

On February 14, 2003, the Commission issued its ORDER APPROVING JOINT RECOMMENDATION requiring Aquila to 1) work with interested parties to review historical data and determine what information is available regarding Peoples' and NAU's service quality and assure that the same type of data is made available in the future; 2) file a report with the Commission within 60 days on Aquila's historical level of service quality; 3) file a proposed gas service quality standards plan (including information on how service quality response times will be traced through regulated operations) within 60 days; and 4) begin measuring its service quality prospectively using the service quality plan's mechanisms, and file the results quarterly.

On July 30, 2003, Aquila submitted its report on Aquila's service quality in 2001 and 2002 and proposed a plan to measure and report quarterly its performance according to five gas service quality standards.

On September 30, 2003, the Minnesota Department of Commerce (the Department) submitted comments recommending acceptance of Aquila's petition as filed. The Department reported that it helped Aquila develop its plan and believes Aquila's service quality reports will be a useful regulatory tool that provides Minnesota specific information about Aquila's Minnesota regulated operations.

On October 30, 2003, Aquila submitted its first quarterly report covering the 3rd Quarter of 2003.

On January 30, 2004, Aquila submitted its second quarterly report covering the 4th Quarter of 2003.

The Commission met on February 12, 2004 to consider this matter.

FINDINGS AND CONCLUSIONS

I. AQUILA'S PROPOSED SERVICE QUALITY PLAN

The five standards in Aquila's proposed Service Quality Plan are:

- 1) call center response time;
- 2) complaints to the Commission;
- 3) mis-locates;
- 4) gas system damages; and
- 5) service interruptions.

For 2001 and 2002, Aquila reported its performance as measured by these five standards. Aquila stated that it selected to report on these five standards because historical information was available for these standards and because these standards closely track the proposed Service Quality Plan. Aquila indicated that in the future it would submit quarterly performance reports on the last day of the month following the end of a quarter in accordance with the Commission's February 14, 2003 Order.

For future reporting purposes, Aquila proposed one enhancement and agreed to one other that make this information more specific and useful for monitoring the Company's service quality in Minnesota.

II. AGREED UPON REVISIONS

In the course of this docket, Aquila made two modifications to its proposed plan.

A. Report of Damage to the Gas System

Beginning with its 4th Quarter 2003 Report, Aquila began separating gas system damage information into three categories: 1) Aquila internal employees, 2) Aquila contractors, and 3) third parties-all others. The Company indicated that it would continue to do so in future reports. The Commission finds that this modification to Aquila's service quality performance plan provides useful information and will approve it.

B. Report of Gas Service Interruptions

In its reporting plan as originally filed July 30, 2003, Aquila proposed to separate gas service interruption information into three categories: 1) outages due to failure in system integrity, 2) outages due to gas system damage, and 3) outages due to any other unplanned causes. On October 30, 2003, the Company filed a first quarterly report for the third quarter of 2003 consistent with its proposed plan.

On January 30, 2003, in its second quarterly report on performance for the quarter ending December 31, 2003, the Company added the number of outage incidents for each category. The Commission finds this information useful and approves the addition of this information to future reports.

III. ADDITIONAL ISSUES

A. Customer Complaints

Aquila's plan for reporting customer complaints is not generally consistent with the Commission's standard for electric utilities because the numbers Aquila reports do not include the complaints Aquila receives directly from customers and handles internally. Nor does Aquila propose to report complaints by category or how complaints are resolved. However, the number of complaints the Commission's Consumer Affairs Office receives from Aquila customers is relatively low and does not appear to be increasing.

In these circumstances, the Commission will allow the Company to work with the Department and Commission staff to develop more detailed customer complaint information during the next two quarters, closer to or consistent with the Commission's Electric Utility Standards rule, with the intent to begin reporting that customer complaint information for the 3rd Quarter of 2004, which begins July 1, 2004.

B. Emergency Gas Response Times

Aquila's proposed plan does not include an emergency gas response standard. This is an important area of customer service. Under the terms of the most recent settlement agreement covering Xcel's service quality reporting, Xcel agreed to an emergency gas response standard that requires Xcel personnel to arrive on the scene of a gas leak within 35 minutes of a call reporting a leak.

While it is desirable that Aquila have an emergency gas response standard and file regular reports regarding its performance with respect to that standard, the Commission recognizes that there are several details to be worked out with respect to such a standard. The Commission, therefore, will allow the Company to work with the Department and Commission staff to develop an Aquila-specific emergency gas response standard, with the intent to begin reporting that emergency gas response times for the 3rd Quarter of 2004, which begins July 1, 2004.

C. Operation and Maintenance Expenses

One of the principal concerns when a utility experiences financial difficulties is that it may begin to defer or substantially cutback expenses aimed at maintaining the integrity of its delivery system. In light of Aquila's financial circumstances, the Commission finds it prudent to monitor the Company's operation and maintenance (O & M) expenditures. To that end the Commission will direct Aquila to begin reporting its customer service related O & M expenses at the same time it begins reporting the customer complaint information (Section A, above) and the emergency gas response times (Section B, above), i.e. beginning with its service quality report for the 3rd Quarter of 2004, which begins July 1, 2004.

D. Future Comments on Aquila's Quarterly Filings

In future reviews of Aquila's quarterly quality of service filings, the Commission welcomes and will benefit from comments filed by interested parties. The Commission will request the Department and any other interested party to review and comment on Aquila's quarterly filings no later than February 28th of each year.

This schedule will allow parties to comment on a reasonable number of quarterly filings at one time, rather than filing comments every quarter. The first set of comments under this schedule, then, will be due on February 28, 2005 and will address the Company's filings covering the period January 1, 2004 to December 31, 2004. Thereafter, the February 28 comments would address the reports filed for the previous calendar year.

IV. COMMISSION ACTION

Based on the parties' filings and arguments in this matter, the Commission will accept Aquila's plan, revised as discussed above with respect to the Gas System Damage and Gas Service Interruptions standards. The Commission takes this action with the understanding that between now and June 30, 2004 the Company will work with the Department and Commission Staff to provide, starting July 1, 2004, 1) more detailed customer complaint information (closer to or consistent with the Commission's Electric Utility Standards rule); 2) reports on Aquila's emergency gas response times; and 3) reports on customer service-related O&M expenditures.

The Commission will establish comment dates for interested parties, as discussed above, and will delegate authority to the Commission's Executive Secretary to vary the time periods established by this Order.

ORDER

1. The Commission accepts Aquila's service quality plan, revised as described herein with respect to the way Gas System Damage and Gas Service Interruptions are reported.

2. Aquila will work with the Department and Commission staff to develop more detailed customer complaint information (closer to or consistent with the Commission's Electric Utility Standards rule) as well as information regarding the Company's emergency gas response times and shall begin providing that information as part of its report for the 3rd Quarter of 2004, which begins July 1, 2004
3. Aquila shall begin reporting customer service-related operation and maintenance (O&M) expenditures as part of its report for the 3rd Quarter of 2004, which begins July 1, 2004
4. The Department and any other interested party are asked to review and comment on Aquila's quarterly filings no later than February 28th of each year. The first set of comments under this schedule are due on February 28, 2005.
5. The Commission hereby delegates authority to the Commission's Executive Secretary to vary the time periods established by this Order.
6. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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